

**JUNCTION CITY - GEARY COUNTY HEALTH DEPARTMENT**

**FINANCIAL STATEMENT  
WITH INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2011**

**JUNCTION CITY-GEARY COUNTY HEALTH DEPARTMENT  
JUNCTION CITY, KANSAS**

**TABLE OF CONTENTS**

	<u>Pages</u>
Independent Auditors' Report	1 - 2
Summary of Cash Receipts, Expenditures and Unencumbered Cash	3
Notes to Financial Statements	4 - 8
 <b>SUPPLEMENTAL INFORMATION</b>	
<b><u>Schedule 1</u></b>	
Statement of Cash Receipts and Expenditures	9 - 10
<b><u>Schedule 2</u></b>	
Statement of Cash Receipts and Expenditures - Actual and Budget	11 - 12
 <b>SINGLE AUDIT SECTION</b>	
Schedule of Expenditures of Federal Awards	13
Notes to the Schedule of Expenditures of Federal Awards	14
Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statement performed in Accordance with <i>Government Auditing Standards</i>	15 - 16
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	17 - 18
Schedule of Findings and Questioned Costs	19 - 20



816 N Washington  
Junction City, KS 66441  
(785) 238-5166  
Fax (785) 238-6830

529 Humboldt, Suite 1  
Manhattan, KS 66502  
(785) 537-9700  
Fax (785) 537-3734

505 NW 3rd, Suite 1  
Abilene, KS 67410  
(785) 263-2171  
Fax (785) 263-3340

[www.pgh-cpa.com](http://www.pgh-cpa.com)

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Public Accountants



*Pottberg, Gassman & Hoffman, Chtd*

## INDEPENDENT AUDITORS' REPORT

To the Board of Health  
Junction City – Geary County Health Department  
Junction City, Kansas 66441

We have audited the summary statement of cash receipts, expenditures, and unencumbered cash balances of the Junction City – Geary County Health Department (Department), as of and for the year ended December 31, 2011, as listed in the table of contents. This financial statement is the responsibility of the Department's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Kansas Municipal Audit Guide*. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Department has prepared this financial statement using accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statement of the variances between these statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Department, as of December 31, 2011, or the respective changes in its financial position and changes in cash flows, where applicable, for the year then ended. Further, the Department has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statement.

In our opinion the financial statement referred to in the first paragraph above presents fairly, in all material respects, the cash and unencumbered cash balances of each fund of the Department as of December 31, 2011, and its cash receipts and expenditures for the year then ended, on the basis of accounting described in Note 1.

Our audit was conducted for the purpose of forming an opinion on the financial statement. The individual fund schedule of cash receipts and expenditures and the schedule of cash receipts and expenditures--actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for analysis and are not a required part

of the statutory financial statement. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement as a whole.

*Pottberg, Gassman & Hoffman, Chtd.*

Pottberg, Gassman & Hoffman, Chartered  
Manhattan, Kansas  
September 12, 2012

# **JUNCTION CITY-GEARY COUNTY HEALTH DEPARTMENT**

## **SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH** **FOR THE YEAR ENDED DECEMBER 31, 2011**

<u>Funds</u>	<u>Beginning</u> <u>Unencumbered</u> <u>Cash Balance</u>	<u>Prior Year</u> <u>Canceled</u> <u>Encumbrances</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Expenditures</u>	<u>Ending</u> <u>Unencumbered</u> <u>Cash Balance</u>	<u>Add</u> <u>Outstanding</u> <u>Encumbrances</u> <u>and Accounts</u> <u>Payable</u>	<u>Ending</u> <u>Cash Balance</u>
Governmental Type Funds:							
General Fund	\$ 1,240,048	-	1,596,506	1,546,140	1,290,414	47,071	1,337,485
Total Reporting Entity	<u>\$ 1,240,048</u>	<u>-</u>	<u>1,596,506</u>	<u>1,546,140</u>	<u>1,290,414</u>	<u>47,071</u>	<u>1,337,485</u>
Composition of Cash:							
				Cash on Hand			\$ 125
				Checking Accounts			36,905
				Savings Account			1,050,455
				Certificates of Deposit			250,000
				Total Reporting Entity			<u>\$ 1,337,485</u>

The notes to the financial statement are an integral part of this statement.

**JUNCTION CITY – GEARY COUNTY HEALTH DEPARTMENT  
JUNCTION CITY, KANSAS  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2011**

**Note 1- Summary of Significant Accounting Policies**

Financial Reporting Entity

On July 1, 1949 the respective commissions of Junction City and Geary County Kansas created the Joint Board of Health per K.S.A. 65-205. Joint Resolution/Ordinance (Geary County Resolution 6192H and Junction City Ordinance S-2515) specifies the organization, operation, jurisdiction, powers and duties of the Joint Board of Health. The Junction City – Geary County Health Department (the Department) offers preventive, educational, environmental and other general health services to the residents of Junction City and Geary County. The Department is primarily supported through federal and state grants, city and county appropriations and client service revenues. The building in which the Department is housed is owned by Geary County, as well as the major furniture and fixtures.

Basis of Presentation and Accounting

The statutory basis of accounting, as used in the preparation of this statutory basis financial statement, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of the fund is increased. Expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

The Department has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Department to use the statutory basis of accounting.

Departure from Generally Accepted Accounting Principles

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, and cash and unencumbered cash balances. Balance sheets that would have shown noncash assets such as receivables, inventories, prepaid expenses, liabilities such as deferred revenue, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the equipment owned by the Department are not presented in the financial statement. Also, compensated absences are not presented in the financial statement.

Budgetary Information

The Department is not required to adopt a legal budget. Therefore, no budgetary comparison is prepared as a financial statement. The Board approves an estimated budget each year as required by the Joint Resolution/Ordinance which is used by management to internally monitor expenditures and is presented as supplementary information in Schedule 2.

**JUNCTION CITY – GEARY COUNTY HEALTH DEPARTMENT  
JUNCTION CITY, KANSAS  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2011**

**Note 2 - Deposits and Investments**

K.S.A. 9-1401 establishes the depositories which may be used by the Department. The statute requires banks eligible to hold the Department's funds have a main or branch bank in the county in which the Department is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Department has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Department's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Department has no investment policy that would further limit its investment choices.

*Concentration of credit risk.* State statutes place no limit on the amount the Department may invest in any issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

*Custodial credit risk – deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Department's deposits may not be returned to it. State statutes require the Department's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Department has no designated "peak periods." All deposits were legally secured at December 31, 2011.

At December 31, 2011, the Department's carrying amount of deposits, including certificates of deposit, was \$1,334,451 and the Bank balance was \$1,335,200. The bank balance was held by three banks resulting in a concentration of credit risk. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. Of these bank balances, \$731,051 was covered by federal depository insurance and \$604,149 was collateralized with securities held by the pledging financial institutions' agents in the Department's name.

**Note 3 – Compensated Absences**

The Department's policy is to recognize the costs of compensated absences when actually paid.

Vacation leave:

The Department's policy regarding vacation leave allows employees to accumulate vacation time based on years of continuous service. Full-time employees working at least 37.5 hours per week accrue paid Annual leave time as follows:

**JUNCTION CITY – GEARY COUNTY HEALTH DEPARTMENT  
JUNCTION CITY, KANSAS  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2011**

**Note 3 – Compensated Absences (Continued)**

Years of Employment	Accrual Rate (hours/month)		Maximum Accrual (hours)	
	<u>37.5</u>	<u>40.0</u>	<u>37.5</u>	<u>40.0</u>
Less than one	5.75	6		
1 to 10	9.5	10	150	160
10 to 15	11.25	12	180	192
Over 15	15	16	225	240

Upon termination of employment an employee is entitled to be paid for unused accrued vacation leave. The amount of accrued vacation payable at December 31, 2011 was \$28,700.

**Sick leave**

Full-time employees working at least 37.5 hours per week will earn sick leave pay as follows:

Years of Employment	Accrual Rate (hours/month)	
	<u>37.5</u>	<u>40.0</u>
Less than one year	3.75	4
After one year	7.5	8

Upon retirement, an employee is paid for one-third of the accrued leave up to a maximum of 60 days. The amount of accrued sick leave payable for employees eligible for retirement at December 31, 2011 was \$2,666.

**Note 4 – Grants**

The Department receives a substantial amount of its support from federal, state and local grants. A significant reduction in the level of this support, if this were to occur, may have an effect on the Department's programs and activities. Grants and awards require the fulfillment of certain conditions as set forth in each grant agreement. Failure to fulfill the conditions could result in the return of the funds to the grantor. Although that is a possibility, the Board deems the contingency remote.

**Note 5 – Defined Benefit Pension Plan**

The Department participates in the Kansas Public Employees Retirement System (KPERs), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERs provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERs issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERs (611 S. Kansas, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.



**JUNCTION CITY – GEARY COUNTY HEALTH DEPARTMENT  
JUNCTION CITY, KANSAS  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2011**

**Note 5 – Defined Benefit Pension Plan (Continued)**

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary for employees hired prior to July 1, 2009 and 6% for employees hired on or after July 1, 2009. The employer collects and remits member-employee contributions according to the provision of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The employer rate established for calendar year 2011 was 7.74%. The Department's employer contributions to KPERS for the years ending December 31, 2011, 2010 and 2009 were \$68,270, \$59,098, and \$40,128, respectively, equal to the required contributions for each year as set forth by the legislature.

**Note 6 – Deferred Compensation Plan**

The Department offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code section 457. The plan is administrated by Nationwide Retirement Solutions. The plan is available to all employees, and permits them to defer a portion of their salary until future years.

**Note 7 – Risk Management**

The Junction City – Geary County Health Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Department has been unable to obtain property and liability insurance at a cost it considered to be economically justifiable. For this reason, the Department through Geary County joined together with other counties in the State to participate in Kansas County Association Multi-Line Pool (KCAMP), a public entity risk pool currently operating as a common risk management and insurance program for participating members.

Geary County pays an annual premium to KCAMP for its property and liability insurance coverage. The agreement to participate provides that KCAMP will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of the self-insured amount for each insured event. Additional premiums may be due if total claims for the pool are different than what has been anticipated by KCAMP management. The Department reimburses Geary County for its portion of the workers compensation premium. Geary County carries commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

**Note 8 – Litigation**

There were no legal actions involving the Junction City – Geary County Health Department as of December 31, 2011.

**JUNCTION CITY – GEARY COUNTY HEALTH DEPARTMENT  
JUNCTION CITY, KANSAS  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2011**

**Note 9 – Compliance**

The Department is currently in compliance with the Joint Resolution/Ordinance amended September 19, 2005 concerning the basis of accounting and auditing of grants.

**Note 10 – Subsequent Events**

Management has evaluated the effects on the financial statement of subsequent events occurring through September 12, 2012 which is the date at which the financial statement was available to be issued.

## **SUPPLEMENTAL INFORMATION**

**JUNCTION CITY-GEARY COUNTY HEALTH DEPARTMENT**

**SCHEDULE OF CASH RECEIPTS AND EXPENDITURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**GENERAL FUND**

Cash Receipts:

Grants	\$ 922,662
City - County Appropriations	410,522
Client Receipts	106,028
Contract Services	25,769
Health Insurance Receipts	57,197
School Reimbursements	24,050
Medicaid Reimbursements	12,337
Medicare Reimbursements	9,544
Donations	8,531
Rent	3,365
Other Reimbursements and Miscellaneous Receipts	4,939
Interest	11,562
Total Cash Receipts	<u>1,596,506</u>

Expenditures:

Advertising	5,537
Airfare	1,846
Auto and Truck	7,281
Bank Service Charges	1,041
Building Maintenance	5,836
Capital Expenditures	7,514
Computer Hardware / Software	749
Contract Services	7,913
Dues	655
Educational / Promotional	20,106
Equipment Maintenance and Repair	9,492
Equipment Rental	1,778
Insurance - Bonding	305
Insurance - Disability	2,865
Insurance - Health	118,982
Insurance - Life	1,142
Insurance - Liability	659
Janitorial	31,751
Laboratory Fees	4,906
Legal and Accounting	10,205
Lodging	4,998
Medical Supplies	42,617
Mileage	5,314
Office Supplies	26,190
Subtotal	<u>319,682</u>

The notes to the financial statements are an integral part of this statement.

## JUNCTION CITY-GEARY COUNTY HEALTH DEPARTMENT

SCHEDULE OF CASH RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2011

**GENERAL FUND**

Expenditures from page #9	\$ 319,682
Payroll Taxes	70,820
Postage	5,553
Printing	5,761
Professional Services	14,100
Registration and Fees	9,401
Rent	26,539
Resource Material	324
Retirement	68,270
Salaries	954,033
Subscriptions	3,852
Subsistence	5,015
Supplies	18,752
Taxi Service	4,037
Telephone	8,656
Utilities	20,892
Workers Compensation	10,453
Total Expenditures	<u>1,546,140</u>
Receipts Over (Under) Expenditures	50,366
Unencumbered Cash, January 1	<u>1,240,048</u>
Unencumbered Cash, December 31	<u><u>\$ 1,290,414</u></u>

The notes to the financial statements are an integral part of this statement.

## JUNCTION CITY-GEARY COUNTY HEALTH DEPARTMENT

SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
FOR THE YEAR ENDED DECEMBER 31, 2011

<b><u>GENERAL FUND</u></b>	<b><u>Actual</u></b>	<b><u>Budget</u></b>	<b><u>Variance Over (Under)</u></b>
Cash Receipts:			
Grants	\$ 922,662	525,722	396,940
City - County Appropriations	410,522	547,363	(136,841)
Client Receipts	106,028	99,350	6,678
Contract Services	25,769	28,760	(2,991)
Health Insurance Receipts	57,197	36,720	20,477
School Reimbursements	24,050	22,250	1,800
Medicaid Reimbursements	12,337	7,950	4,387
Medicare Reimbursements	9,544	10,650	(1,106)
Donations	8,531	4,500	4,031
Rent	3,365	3,000	365
Other Reimbursements and Miscellaneous Receipts	4,939	158,644	(153,705)
Interest	11,562	14,000	(2,438)
Total Cash Receipts	<u>1,596,506</u>	<u>1,458,909</u>	<u>137,597</u>
Expenditures:			
Advertising	5,537	6,500	(963)
Airfare	1,846	500	1,346
Auto and Truck	7,281	8,500	(1,219)
Bank Service Charges	1,041	1,200	(159)
Building Maintenance	5,836	3,450	2,386
Capital Expenditures	7,514	8,000	(486)
Clothing Allowance	-	600	(600)
Computer Hardware / Software	749	1,000	(251)
Contract Services	7,913	6,700	1,213
Dues	655	100	555
Educational / Promotional	20,106	19,720	386
Equipment Maintenance and Repair	9,492	8,200	1,292
Equipment Rental	1,778	1,300	478
Insurance - Bonding	305	305	-
Insurance - Disability	2,865	2,675	190
Insurance - Health	118,982	128,834	(9,852)
Insurance - Life	1,142	1,020	122
Insurance - Malpractice and Liability	659	600	59
Janitorial	31,751	30,100	1,651
Laboratory Fees	4,906	5,200	(294)
Legal and Accounting	10,205	9,500	705
Lodging	4,998	3,300	1,698
Medical Supplies	42,617	49,745	(7,128)
Mileage	5,314	4,800	514
Miscellaneous	-	550	(550)
Office Supplies	26,190	12,500	13,690
Subtotal	<u>319,682</u>	<u>314,899</u>	<u>4,783</u>

The notes to the financial statements are an integral part of this statement.

## JUNCTION CITY-GEARY COUNTY HEALTH DEPARTMENT

SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
FOR THE YEAR ENDED DECEMBER 31, 2011

<b><u>GENERAL FUND</u></b>	<b><u>Actual</u></b>	<b><u>Budget</u></b>	<b>Variance Over (Under)</b>
Expenditures from page #11	\$ 319,682	314,899	4,783
Payroll Taxes	70,820	67,657	3,163
Postage	5,553	4,647	906
Printing	5,761	1,000	4,761
Professional Services	14,100	15,200	(1,100)
Registration and Fees	9,401	5,500	3,901
Rent	26,539	18,050	8,489
Resource Material	324	750	(426)
Retirement	68,270	61,616	6,654
Salaries	954,033	892,923	61,110
Subscriptions	3,852	3,200	652
Subsistence	5,015	5,278	(263)
Supplies	18,752	15,872	2,880
Taxi Service	4,037	1,635	2,402
Telephone	8,656	13,295	(4,639)
Utilities	20,892	20,300	592
Vehicle Purchase	-	5,000	(5,000)
Workers Compensation	10,453	12,087	(1,634)
Total Expenditures	<u>1,546,140</u>	<u>1,458,909</u>	<u>87,231</u>
Receipts Over (Under) Expenditures	<u>\$ 50,366</u>	<u>-</u>	<u>50,366</u>

The notes to the financial statements are an integral part of this statement.

**SINGLE AUDIT SECTION**



**JUNCTION CITY-GEARY COUNTY HEALTH DEPARTMENT**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2011

<b>Federal Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Grant Number</b>	<b>Federal Expenditures</b>
U.S. Department of Agriculture			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	WIC FFY 11 WIC FFY 12	\$ 175,967 149,586
Total U.S. Department of Agriculture			<u>325,553</u>
U.S. Department of Labor			
Passed Through Heartland Works, Topeka, KS			
WIA Youth Activities	17.259	WIAY 10-03	<u>17,607</u>
Environmental Protection Agency / Office of Water			
Nonpoint Source Implementation Grants	66.460	CWN-Rural Lakes-LEPG	<u>5,600</u>
U.S. Department of Health and Human Services			
Passed Through Kansas Department of Health and Environment			
Public Health Emergency Preparedness	93.069	PHEP 10-11 PHEP 11-12	15,215 10,422
			<u>25,637</u>
Injury Prevention and Control Research and State and Community Based Programs	93.136	KFIPP	<u>1,388</u>
Family Planning Services	93.217	SFY 11 SFY 12	57,975 34,527
			<u>92,502</u>
Immunization Cooperative Agreements	93.268	IAP 11/12	<u>6,903</u>
The Affordable Care Act: Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	EDW/KBCCI	<u>5,725</u>
Child Care and Development Block Grant	93.575	SFY 11 SFY 12	7,228 1,811
			<u>9,039</u>
Medical Assistance Program	93.778	Medicaid; Title XIX	<u>81,000</u>
Preventive Health and Health Services Block Grant	93.991	CDRR 11 CDRR 12	2,000 570
			<u>2,570</u>
Maternal and Child Health Services Block Grant to States	93.994	SFY 11 SFY 12	25,981 18,878
			<u>44,859</u>
Total U.S. Depart of Health and Human Services			<u>269,623</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 618,383</u>

## **JUNCTION CITY – GEARY COUNTY HEALTH DEPARTMENT**

### **NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** **FOR THE YEAR ENDED DECEMBER 31, 2011**

#### **NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Junction City – Geary County Health Department (the Department) under programs of the federal government for the year ended December 31, 2011. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Department, it is not intended to and does not present the financial position or changes in the financial position of the Department.

#### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported using the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, the same basis as the financial statements accompanying this schedule.



816 N Washington  
Junction City, KS 66441  
(785) 238-5166  
Fax (785) 238-6830

529 Humboldt, Suite I  
Manhattan, KS 66502  
(785) 537-9700  
Fax (785) 537-3734

505 NW 3rd, Suite 1  
Abilene, KS 67410  
(785) 263-2171  
Fax (785) 263-3340

www.pgh-cpa.com

*Pottberg, Gassman & Hoffman, Chtd*

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS**

To the Board of Health  
Junction City – Geary County Health Department  
Junction City, Kansas 66441

We have audited the financial statements of Junction City – Geary County Health Department (Department) as of and for the year ended December 31, 2011, and have issued our report thereon dated September 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Kansas Municipal Audit Guide.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reports, listed as 2011-1. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the Department in a separate letter dated September 12, 2012.

The Department's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Department's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Pottberg, Gassman & Hoffman, Chartered*

Pottberg, Gassman & Hoffman, Chartered  
Manhattan, Kansas  
September 12, 2012



816 N Washington  
Junction City, KS 66441  
(785) 238-5166  
Fax (785) 238-6830

529 Humboldt, Suite 1  
Manhattan, KS 66502  
(785) 537-9700  
Fax (785) 537-3734

505 NW 3rd, Suite 1  
Abilene, KS 67410  
(785) 263-2171  
Fax (785) 263-3340

[www.pgh-cpa.com](http://www.pgh-cpa.com)

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*Pottberg, Gassman & Hoffman, Chtd*

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Health  
Junction City – Geary County Health Department  
Junction City, Kansas 66441

Compliance

We have audited the compliance of Junction City – Geary County Health Department (Department) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2011. The Department's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to its major federal program is the responsibility of the Department's management. Our responsibility is to express an opinion on the Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; Kansas Municipal Audit Guide; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Department's compliance with those requirements.

In our opinion, Junction City – Geary County Health Department complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2011.

Internal Control over Compliance

The management of the Department is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Department's internal control over compliance with requirements that could have a direct and material effect on its major federal program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance; such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information and use of the board, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Pottberg, Gassman & Hoffman, Chartered*

Pottberg, Gassman & Hoffman, Chartered  
Manhattan, Kansas  
September 12, 2012

## JUNCTION CITY–GEARY COUNTY HEALTH DEPARTMENT

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2011

#### SECTION I – SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statement of Junction City – Geary County health Department.
2. The **Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statement Performed in Accordance with Government Auditing Standards** contains material weaknesses listed below in Section II.
3. No instances of noncompliance material to the financial statement of Junction City – Geary County health Department were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit and no material weaknesses were reported in the **Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on its Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133**.
5. The auditors' report on compliance for the major federal award program for the Junction City – Geary County Health Department expresses an unqualified opinion.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 in this schedule.
7. The program tested as a major program was US Department of Agriculture, Special Supplemental Nutrition Program for Women, Infants and Children, WIC Program CFDA 10.557.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The Junction City – Geary County Health Department did not qualify as a low-risk auditee.

#### SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS

##### 2011-1

- Criteria – Preparation of the schedule of expenditures of federal awards (SEFA) requires adjustment of reimbursements received for amounts received from prior years and for amounts not yet received.
- Condition – Management prepared SEFA detailed expenditures of \$567,632.
- Context - In testing internal controls over financial reporting as required by government auditing standards, the grant income for a reimbursement based grant was used for the amount of grant expenditures.
- Effect – Federal award expenditures on the SEFA were understated by \$50,751.
- Cause – Due to program cash disbursements paid from Department funds , when grant do not cover 100% of costs, reimbursements received during 2011 were used as the amount of expenditures rather than reimbursements requested for 2011.

## **JUNCTION CITY–GEARY COUNTY HEALTH DEPARTMENT**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** **FOR THE YEAR ENDED DECEMBER 31, 2011**

- Recommendation – Management should complete a reconciliation with monthly grant reports to ensure SEFA reports expenditures and not reimbursements received.
- Response – Accountant will formulate an excel spreadsheet for all grants received broken into basic expenditure categories. This spreadsheet will be updated each month showing all expenditures associated with the specific grant and a running total of these expenses will be maintained so at any specific time the amount of unspent funds is available.

#### **SECTION III – MAJOR FEDERAL AWARD PROGRAM FINDINGS AND QUESTIONED COSTS**

None reported.

#### **SECTION IV – SUMMARY OF PRIOR AUDIT FINDINGS**

None reported.